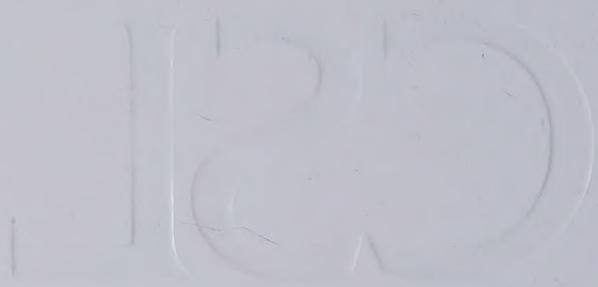




CANADA STEAMSHIP LINES, LIMITED

Annual Report 1971





CANADA STEAMSHIP LINES, LIMITED
Annual Report 1971

Contents

Directors and Executive Officers	3
Financial Highlights	4
Report to the Shareholders	5
Statement of Earnings and Retained Earnings	7
Balance Sheet	8
Notes to Financial Statements	10
Auditors' Report	11
Statement of Source and Application of Funds	12
Ten Year Review	13
CSL '71	14





HEAD OFFICE:
759 Victoria Square,
Montreal 126, Quebec.

TRANSFER AGENT:
The Royal Trust Company,
Montreal, Toronto, Winnipeg
and Vancouver.

REGISTRAR:
Canada Permanent Trust Company,
Montreal, Toronto, Winnipeg
and Vancouver.

Executive Officers

J. W. McGiffin	<i>Chairman of the Board</i>
Louis R. Desmarais	<i>President and Chief Executive Officer</i>
W. G. Black	<i>Vice-President, Finance, and Secretary</i>
G. L. Cole	<i>Vice-President, Water Transportation</i>
W. J. Hines	<i>Vice-President, Land Transportation</i>
R. Lowery	<i>Vice-President, Shipbuilding Operations</i>
J. D. Harper	<i>Comptroller</i>
D. P. Grinton	<i>Treasurer</i>

Honorary Directors

Hon. T. A. Crerar, P.C. <i>Retired Senator</i>	Victoria, British Columbia
A. O. Dufresne	Quebec City, Quebec
G. McMillan, Q.C. <i>Partner, McMillan, Binch, Barristers and Solicitors</i>	Toronto, Ontario
R. W. Milner	Winnipeg, Manitoba

CANADA STEAMSHIP LINES, LIMITED and Subsidiary Companies

Directors

D. S. Anderson Toronto, Ontario. <i>Chairman & Chief Executive Officer, Metro Centre Developments Limited</i>	C. Antoine Geoffrion, Q.C. Montreal, Quebec. <i>Senior Partner, Geoffrion & Prud'homme, Advocates</i>	J. W. McGiffin Montreal, Quebec. <i>Chairman, Canada Steamship Lines, Limited</i>
J. B. Barber Sault Ste. Marie, Ontario. <i>Vice-Chairman & Senior Vice-President, The Algoma Steel Corporation, Limited</i>	Hazen Hansard, Q.C. Montreal, Quebec. <i>Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Barristers and Solicitors</i>	T. R. McLagan, O.B.E. Montreal, Quebec. <i>Chairman of the Executive Committee, Canada Steamship Lines, Limited</i>
Bruno Desjardins Montreal, Quebec. <i>Partner, Simard & Desjardins, Advocates</i>	David S. Holbrook Sault Ste. Marie, Ontario. <i>Chairman & President, The Algoma Steel Corporation, Limited</i>	A. D. Nesbitt, O.B.E. Montreal, Quebec. <i>Chairman, Nesbitt, Thomson and Company, Limited</i>
Louis R. Desmarais Montreal, Quebec. <i>President & Chief Executive Officer, Canada Steamship Lines, Limited</i>	H. Irgens Larsen New York City, New York. <i>President, Gotas-Larsen, Inc.</i>	Jean Parisien Montreal, Quebec. <i>President, Power Corporation of Canada, Limited</i>
Paul G. Desmarais Montreal, Quebec. <i>Chairman & Chief Executive Officer, Power Corporation of Canada, Limited</i>	Paul E. Martin Montreal, Quebec. <i>Vice-President, Power Corporation of Canada, Limited</i>	Peter N. Thomson Montreal, Quebec. <i>Deputy-Chairman, Power Corporation of Canada, Limited</i>

Pour un exemplaire de ce rapport en français, s.v.p., écrire au Secrétaire.

Financial Highlights



	1971	1970
Gross revenue from operations	\$143,181,000	144,077,000
Net earnings	\$ 10,890,000	8,750,000
Net gain on capital asset transactions	\$ 487,000	62,000
Cash flow	<u>\$ 25,765,000</u>	<u>23,277,000</u>
Per common share		
Net earnings	\$ 3.39	2.73
Net gain on capital asset transactions	\$.16	.02
Cash flow	\$ 8.29	7.57
Dividends	\$ 1.30	1.30
Capital expenditure — net		
Vessels	\$ 7,031,000	—
Other	\$ 8,015,000	5,959,000
	<u>\$ 15,046,000</u>	<u>5,959,000</u>
Depreciation	\$ 11,695,000	11,481,000
Working capital	\$ 33,940,000	26,236,000
Common shareholders' equity per share	\$ 31.32	29.17
Average number of employees	7,891	6,884
Number of shareholders — December 31	2,099	3,813
Number of common shares outstanding	3,040,000	2,997,700

EARNINGS

1971 net earnings were \$10,890,000, up \$2,140,000 (24%) from the \$8,750,000 earned in 1970. After preference dividends of \$573,000, net earnings per common share were \$3.39 compared with \$2.73 in 1970.

Earnings in 1971 reflect a change in the method of accounting for deferred income taxes on vessels sold which reduced income tax provision and increased net earnings by \$455,000 (15 cents per common share) over what would have been recorded under the former method. 1970 reported figures have been restated where applicable for comparative purposes.

Net gain on capital asset transactions, which is not included in net earnings, amounted to \$487,000 (16 cents per common share) compared to \$62,000 in 1970 (2 cents per common share).

Gross revenue from operations was \$143,181,000, down \$896,000 from 1970. Land transportation revenues increased by \$8.4 million (14%) but shipyard sales decreased by \$8.7 million due to fewer ship deliveries.

WATER TRANSPORTATION

The opening of navigation was abnormally delayed by weather and ice conditions which was partially offset by a later than usual closing. Bulk carriage decreased by 5% to 21.8 million tons. Earnings were down as freight rate increases were not adequate to cover the combined effect of increased wages, higher fuel cost (up 30%) and fewer days of operation.

Package Freight volume was up de-

spite the reduction in operating days. Operating efficiency (particularly vessel utilization) was significantly improved.

SHIPBUILDING

Sales decreased 28% due to decline in new vessel deliveries and despite a relatively substantial increase in General Engineering billings. Shipyard employment, however, was up 43% as work progressed on construction of vessels having close to \$130 million in ultimate sales value. Since year end, new business totalling \$23 million has been booked and efforts are continuing to obtain further orders.

LAND TRANSPORTATION

The Provincial Transport Enterprises (Voyageur bus system) had satisfactory results with passenger traffic increasing by 8%.

Kingsway group increased volume but profit margin narrowed with a costly Ontario wage settlement and higher fuel costs.

The Brocklesby-Sicotte mobile crane and heavy hauling business experienced a successful year paralleling improved conditions in the Quebec construction industry.

During the year CSL entered the household goods moving and storage business by the acquisition of Morgan Storage and Moving Ltd. This firm operates from warehouses in Montreal and Toronto.

FINANCIAL

Working capital as at December 31, 1971, was a record \$33,940,000, up

62-ton barking drum for the pulp and paper industry.



\$7,704,000. Cash and short term securities were also a record at \$38,192,000, an increase of \$15,652,000.

Cash flow totalled \$25,765,000 (\$8.29 per common share) compared to \$23,277,000 (\$7.57 per common share) in 1970.

Common shareholders' equity per share at December 31, 1971 amounted to \$31.32 per common share, an increase of \$2.15 (7%) from the comparable 1970 figure.

CAPITAL EXPENDITURE

	\$000	
	1971	1970
Net Additions		
Vessels . . .	7,031	—
Properties and equipment . .	8,015	5,959
	<u>15,046</u>	<u>5,959</u>

Vessel expenditure related to the self-unloader M.V. J. W. McGiffin, being built at Collingwood for delivery at the opening of 1972 navigation. Additions to properties and equipment included land for Ottawa Voyageur terminal, improvements to shipyard plant and \$5.6 million for new Land Transportation revenue-earning equipment.

The directors have authorized the Thunder Bay yard to carry out a conversion of the bulk carrier M.V. Saguenay to a self-unloader during the 1971/72 winter. An order has also been placed with the Collingwood yard for the construction of a new self-unloader for delivery in 1973.

LABOUR RELATIONS

Three-year contracts were concluded with the Canadian Marine Officers Union (engineers), the Canadian Merchant Service Guild (mates) and Kings-

way and Voyageur Ontario employees.

Agreements with Voyageur and Kingsway Quebec employees and CSL freight handlers are to be negotiated in 1972.

EMPLOYEES

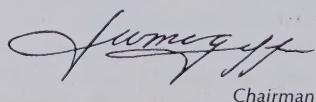
People are the greatest strength of any successful organization and your directors are proud to acknowledge the exceptional effort put forth by so many dedicated officers and employees in the Company's service.

A broad management development programme was introduced for all divisions and subsidiaries in order to improve supervisory practices at all levels of the organization.

OUTLOOK

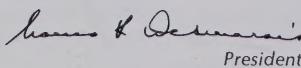
Prospects for 1972 are promising for the growth of our business. With increased vessel capacity, Water Transportation volume should reach a new record. The shipyards have a substantial backlog of work and sales value of deliveries will be significantly higher than in 1971. Land Transportation activities are expected to show continued progress.

On behalf of the Board,



James Giffen
Chairman

Montreal, March 7, 1972



James G. Devereux
President



**CANADA
STEAMSHIP
LINES,
LIMITED**
and
Subsidiary
Companies

Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1971, with comparative figures for 1970 (restated)

	1971	1970
Gross revenue from operations — Note 4	<u>\$143,181,000</u>	<u>\$144,077,000</u>
Earnings from operations	30,448,000	27,434,000
Income from investments	1,608,000	1,106,000
	<u>32,056,000</u>	<u>28,540,000</u>
Interest and expense on long-term debt	1,092,000	1,079,000
Provision for depreciation — Note 4	11,695,000	11,481,000
	<u>12,787,000</u>	<u>12,560,000</u>
Net earnings before income taxes	19,269,000	15,980,000
Income taxes:		
Current	5,404,000	4,064,000
Deferred — Note 6	2,975,000	3,166,000
	<u>8,379,000</u>	<u>7,230,000</u>
Net earnings	10,890,000	8,750,000
Retained earnings at beginning of year:		
As previously reported	69,590,000	66,039,000
Adjustment of deferred income taxes — Note 6	1,652,000	1,688,000
As restated	67,938,000	64,351,000
	<u>78,828,000</u>	<u>73,101,000</u>
Dividends:		
Preference shares	573,000	573,000
Common shares	3,905,000	3,897,000
	<u>4,478,000</u>	<u>4,470,000</u>
	<u>74,350,000</u>	<u>68,631,000</u>
Net gain on capital asset transactions	487,000	62,000
	<u>74,837,000</u>	<u>68,693,000</u>
Cost of shares of subsidiaries in excess of equity in net assets at dates of acquisition	209,000	755,000
Retained earnings at end of year	<u>\$ 74,628,000</u>	<u>\$ 67,938,000</u>
Per common share:		
Net earnings	\$ 3.39	\$ 2.73
Net gain on capital asset transactions16	.02

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

*December 31, 1971,
with comparative figures
for 1970 (restated)*

Assets	1971	1970
CURRENT ASSETS:		
Cash	\$ 2,339,000	\$ 870,000
Short-term securities at cost, which approximates market value	34,424,000	19,196,000
Government of Canada bonds at cost — Note 2 (market value \$1,476,000)	1,429,000	2,474,000
Accounts receivable, less allowance for doubtful accounts	18,873,000	16,992,000
Insurance and other claims, estimated amount recoverable	893,000	1,174,000
Inventories of stores and supplies at the lower of cost or replacement cost and shipyard work in progress at cost	60,975,000	23,862,000
Prepaid expenses	910,000	640,000
	119,843,000	65,208,000
Deduct progress payments and billings on uncompleted shipyard work	59,747,000	19,651,000
Total current assets	60,096,000	45,557,000
INVESTMENTS AT NOT EXCEEDING COST:		
Unconsolidated subsidiary — Note 1	85,000	85,000
Marketable (market value \$566,000)	556,000	589,000
Mortgages, secured loans and other	3,465,000	4,127,000
Debentures - Note 3	6,604,000	6,997,000
	10,710,000	11,798,000
FIXED ASSETS — Note 4	240,543,000	228,459,000
Less accumulated depreciation	127,858,000	120,265,000
	112,685,000	108,194,000
On behalf of the Board: J. W. McGIFFIN, Director	\$183,491,000	\$165,549,000

See accompanying notes to consolidated financial statements.

**CANADA
STEAMSHIP
LINES,
LIMITED**
and
**Subsidiary
Companies**

Liabilities and Shareholders' Equity	1971	1970
CURRENT LIABILITIES:		
Accounts payable and accrued charges	\$ 22,096,000	\$ 15,384,000
Income taxes payable	2,374,000	1,852,000
Current portion of long-term debt	1,686,000	2,085,000
Total current liabilities	26,156,000	19,321,000
 LONG-TERM DEBT, LESS CURRENT PORTION — Note 5 . . .	12,810,000	13,122,000
 DEFERRED INCOME TAXES — Note 6	34,649,000	31,674,000
 PROVISIONS:		
Insurance losses, repairs and claims	1,589,000	998,000
Extra compensation	1,052,000	950,000
	2,641,000	1,948,000
 SHAREHOLDERS' EQUITY:		
CAPITAL STOCK:		
Authorized —		
1,834,000 5% cumulative redeemable preference shares of \$6.25 each		
4,000,000 common shares of no par value		
Issued and fully paid —		
1,834,000 preference shares	11,462,000	11,462,000
3,040,000 common shares (1970 - 2,997,700)	21,145,000	20,084,000
	32,607,000	31,546,000
 RETAINED EARNINGS	74,628,000	67,938,000
Total shareholders' equity	107,235,000	99,484,000
 COMMITMENTS AND CONTINGENT LIABILITIES — Note 7	\$183,491,000	\$165,549,000

**Notes to
Consolidated
Financial
Statements**
December 31, 1971

1. Principles of consolidation:

The consolidated financial statements include the accounts of Canada Steamship Lines, Limited and all its subsidiaries with the exception of one company owned to the extent of 69% whose assets, liabilities and earnings are not significant to the consolidation. All other subsidiaries are wholly owned.

2. Government of Canada Bonds:

\$394,000 par value of Government of Canada bonds are pledged as security for performance of contracts by the company and certain of its subsidiaries.

3. Debentures:

In 1967 Provincial Transport Enterprises Ltd. (a subsidiary) sold franchises, motor coaches and equipment for debentures having a total principal amount of \$8,678,000. The balance of the outstanding debentures at December 31, 1971 of \$6,604,000 does not bear interest and is payable in monthly instalments to 1982 in amounts related to the cash flow generated by the acquiring companies. Subsequent to December 31, 1971, \$1,700,000 principal amount of debentures were redeemed following expropriation of one of the acquiring companies.

4. Fixed assets and gross revenue:

Major classifications by industry of fixed assets and gross revenue are as follows:

	Thousands of Dollars		
	Assets	Accumulated Depreciation	Net
			Gross Revenue
Water transportation	145,239	71,763	73,476
Shipyards	25,929	16,434	9,495
Land transportation	59,549	32,704	26,845
Other	9,826	6,957	2,869
	240,543	127,858	112,685
			143,181

Fixed assets are stated at cost with the exception of certain properties carried on the basis of a 1960 appraisal. The appraised value of these properties is not a material item in the consolidated total.

Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

5. Long-term debt:

Provincial Transport Enterprises Ltd.

6½% sinking fund debentures maturing December 15, 1979	\$ 3,324,000
7% equipment trust certificates, series "C" maturing March 1, 1972 to 1977	1,620,000
7¾% equipment trust certificates, series "D" maturing April 1, 1972 to 1978	1,470,000
10% equipment trust certificates, series "E" maturing April 1, 1972 to 1980	1,350,000
8¼% - 8¾% equipment trust certificates, series "F" maturing May 1, 1972 to 1981	1,400,000
	9,164,000

Voyageur (1969) Inc.

7% sinking fund debentures maturing April 1, 1976	\$1,230,000
6¾% equipment trust certificates, series "A" maturing April 1, 1972 to 1973	660,000
6½% equipment trust certificates, series "B" maturing April 1, 1972 to 1974	810,000
7% first mortgage sinking fund bonds maturing November 15, 1975	1,849,000
	4,549,000

**CANADA
STEAMSHIP
LINES,
LIMITED**
and
Subsidiary
Companies

Port Colborne Quarries Limited – secured, 5% note – payable by instalments related to profits	400,000
Davie Shipbuilding Limited	
Government loans for construction of fixed assets repayable in five annual instalments to 1976	<u>383,000</u>
	<u>14,496,000</u>
Deduct instalments due within one year	<u>1,686,000</u>
	<u><u>\$12,810,000</u></u>

Instalments due on long-term debt over the next five years (excluding the Port Colborne Quarries Limited 5% note) are as follows:

1973 – \$1,909,000; 1974 – \$1,655,000; 1975 – \$2,627,000; 1976 – \$1,680,000;
1977 – \$970,000.

6. Change in accounting method:

In 1971 the company changed the method of accounting for deferred income taxes provided with respect to vessels sold where the proceeds of sale are applied to the construction or conversion of other vessels as permitted under the Income Tax Act. The effect of the change has been to reduce the provision for deferred income taxes for the year 1971 to an amount approximately \$455,000 less than would have been provided under the former method. The reported figures for 1970 have been restated to give effect to the change.

7. Commitments and contingent liabilities:

Letter of credit of \$5,000,000 with respect to guarantees under contracts for the construction of ships.

The companies are committed to purchase fixed assets of \$27,200,000, of which \$17,300,000 will be spent in 1972.

The companies lease certain of their terminals under long-term agreements. Annual rentals under these leases are as follows:

1972 - 1974	\$823,000
1975 - 1984	598,000
1985 - 1988	340,000

8. Statutory information:

22 directors received remuneration aggregating \$62,000 as directors and 9 officers received remuneration aggregating \$567,000 as officers. 3 officers of the company are also directors.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canada Steamship Lines, Limited and its subsidiary companies as at December 31, 1971 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the net gain on capital asset transactions has been credited to retained earnings rather than to earnings, these consolidated financial statements present fairly the financial position of the companies at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change referred to in note 6 to the financial statements, with which we concur, were applied on a basis consistent with that of the preceding year.

**Consolidated
Statement
of Source
and Application
of Funds**

*Year ended December 31, 1971,
with comparative figures for 1970 (restated)*

**CANADA
STEAMSHIP
LINES,
LIMITED
and
Subsidiary
Companies**

	1971	1970
SOURCE OF FUNDS:		
From operations:		
Net earnings	\$ 10,890,000	\$ 8,750,000
Depreciation	11,695,000	11,481,000
Deferred income taxes	2,975,000	3,166,000
Other	205,000	(120,000)
	<hr/>	<hr/>
	25,765,000	23,277,000
Common shares issued for cash	1,061,000	—
Special refundable taxes	—	207,000
Proceeds on disposal of fixed assets	1,983,000	1,425,000
Issue of long-term debt	1,783,000	1,500,000
Decrease in debentures	393,000	544,000
Decrease in marketable investments, mortgages and secured loans	700,000	1,226,000
	<hr/>	<hr/>
	31,685,000	28,179,000
APPLICATION OF FUNDS:		
Additions to fixed assets	17,029,000	7,384,000
Repayment of long-term debt	2,095,000	1,779,000
Cash paid in acquisition of subsidiaries	379,000	1,726,000
Dividends	4,478,000	4,470,000
	<hr/>	<hr/>
	23,981,000	15,359,000
WORKING CAPITAL INCREASE	\$ 7,704,000	\$ 12,820,000
	<hr/>	<hr/>
Working capital at beginning of year	\$ 26,236,000	\$ 13,416,000
Working capital at end of year	33,940,000	26,236,000
WORKING CAPITAL INCREASE	\$ 7,704,000	\$ 12,820,000

See accompanying notes to consolidated financial statements.

Ten
Year
Review
1962 to 1971

Earnings and Dividends (thousands)	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Gross revenue	\$143,181	\$144,077	\$166,921	\$129,308	\$138,082	\$126,560	\$138,164	\$103,696	\$131,927	\$ 81,722
Depreciation	11,695	11,481	10,931	8,766	8,796	7,964	6,970	5,609	6,018	5,756
Income taxes – Current	5,404	4,064	4,628	4,447	3,845	2,610	4,140	3,224	3,164	1,720
– Deferred	2,975	3,166	1,820	2,584	1,317	3,924	3,644	2,719	2,132	1,952
Net earnings	10,890	8,750	8,118	7,357	6,608	8,343	9,028	7,349	7,047	5,121
Net gain on capital asset transactions	487	62	1,429	1,159	835	129	1,295	880	255	181
Dividends – Preference shares	573	573	573	573	573	573	573	573	573	573
– Common shares	3,905	3,897	3,576	3,371	3,357	3,344	3,077	2,553	2,280	2,268
Dividends as % of net earnings	41%	51%	51%	54%	59%	47%	40%	43%	41%	55%
Financial Position (thousands)										
Working capital	\$ 33,940	\$ 26,236	\$ 13,416	\$ 21,221	\$ 15,011	\$ 15,405	\$ 15,747	\$ 18,234	\$ 16,928	\$ 18,932
Fixed assets – Gross	240,543	228,459	226,269	189,101	189,265	182,074	171,297	153,147	143,126	141,468
– Net	112,685	108,194	112,434	90,044	87,831	83,870	75,600	63,686	53,416	52,500
Long-term debt	12,810	13,122	13,401	556	604	699	781	706	637	1,452
Shareholders' equity – Preference (1)	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036
– Common	95,199	87,448	83,861	76,391	71,766	67,889	63,230	56,752	51,379	46,745
Per Common Share										
Net earnings	\$ 3.39	\$ 2.73	\$ 2.52	\$ 2.61	\$ 2.33	\$ 3.02	\$ 3.29	\$ 2.65	\$ 2.55	\$ 1.80
Net gain on capital asset transactions16	.02	.48	.45	.32	.05	.50	.34	.10	.07
Dividends	1.30	1.30	1.30	1.30	1.30	1.30	1.20	1.00	.90	.90
Cash flow (2)	8.29	7.57	6.60	7.04	6.28	7.63	7.42	5.90	5.76	4.85
Shareholders' equity	31.32	29.17	27.98	29.43	27.67	26.36	24.61	22.16	20.23	18.52
Working Capital Ratio	2.3	2.4	1.8	2.3	2.0	2.3	2.1	2.8	2.4	3.2
Capital Expenditure – net (thousands)	\$ 15,046	\$ 5,959	\$ 13,676	\$ 10,172	\$ 11,922	\$ 16,105	\$ 17,589	\$ 15,015	\$ 9,603	\$ 8,569

(1) Calculated using redemption price of \$6% per preference share.

(2) Net earnings after preference dividends plus expenses not requiring a cash outlay.

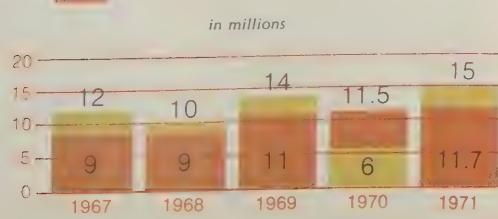
(3) 1970 and 1969 figures restated where applicable.



Gross Revenue by Activity *in millions*



Net Cash Expenditure on Fixed Assets Book Depreciation *in millions*



Shipping freight
the water way



A late opening to navigation, unusual congestion at customer docks and the U.S. coal miners' strike combined to limit CSL bulk fleet carriage to 22 million tons of bulk commodities, second only to the 1970 record. Thirteen vessels operated until the last week of December and three continued until January 7, a new record closing date.

The Company's eight package freighters transported over 1 million tons of freight. This division also experienced its latest closing on record, due to favorable weather conditions in December.

Shrink-wrap facilities were extended to Montreal and met an enthusiastic response. This method of enshrouding valuable cargo in polyethylene



film has considerable attraction to shippers requiring complete protection of the total package.

The motor vessels, *Fort Chambly* and *Fort St. Louis*, participated in Arctic Skylift '71. They transported a large volume of diversified products to lower Arctic points with the help of a giant Sky Crane helicopter.

The Company expanded its services by setting up CSL Ocean Agencies which initially represents Fjell-Fred Olsen Lines, operators of vessels between key Great Lakes ports and London, Rotterdam, Le Havre and Bordeaux. The service includes unit loading and break bulk methods, and container, refrigerated, ventilated and coiled deep-tank cargo facilities.



Shipbuilding and General Engineering

At year end, Canadian Shipbuilding & Engineering Limited was building two self-unloaders at its Collingwood yard. The M.V. *J. W. McGiffin*, named after CSL's Chairman, will be delivered to Canada Steamship Lines for the opening of 1972 navigation. She will be the largest Canadian vessel afloat on the Great Lakes — 730 feet in length, with a 35,000 deadweight ton capacity at maximum draft. Her Collship design features include a blunt, cylindrical bow that increases cargo capacity with only a slight reduction in speed, a Kort steering nozzle and a new loopbelt unloading system developed with CSL engineers.

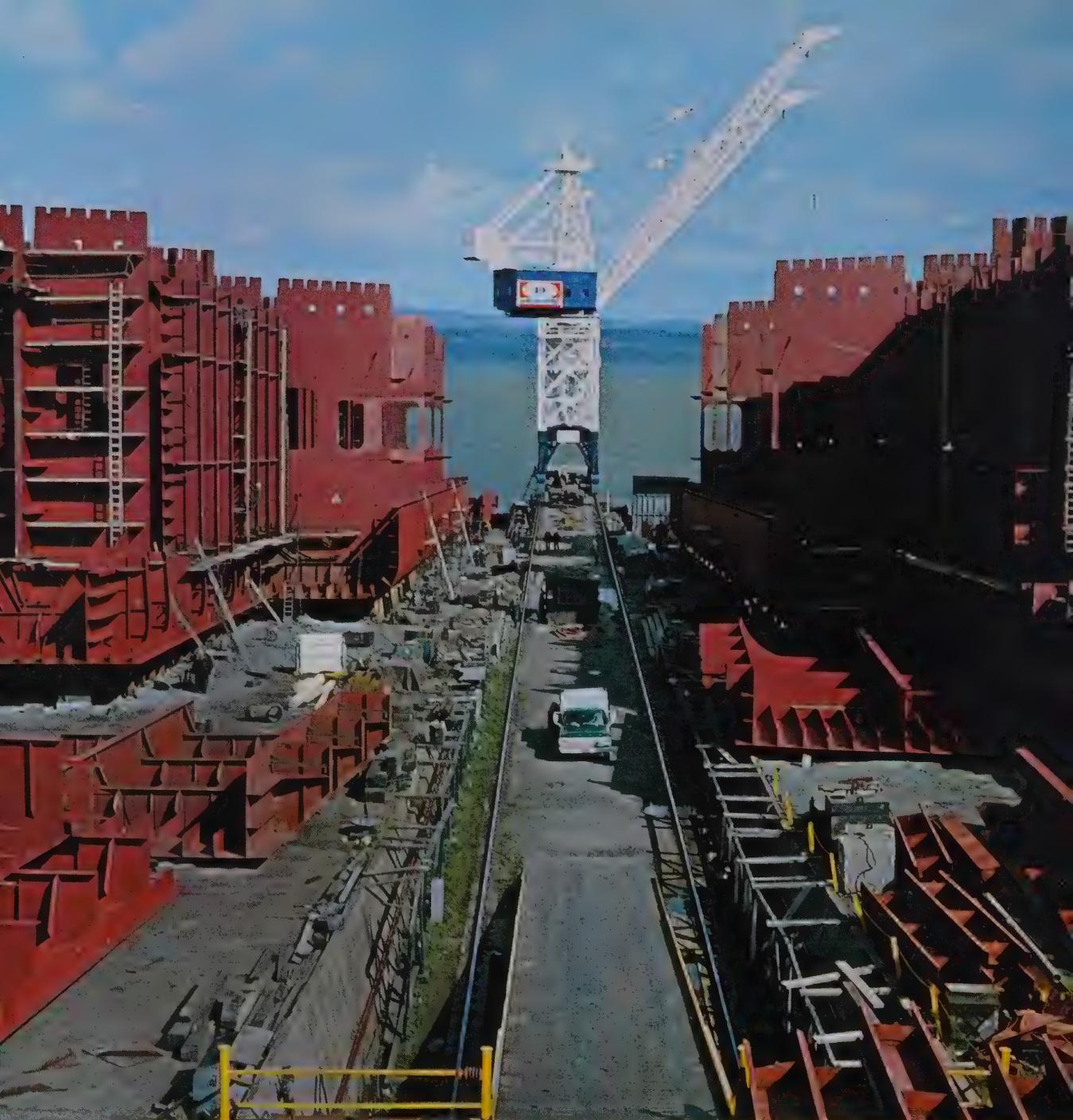
The second self-unloader under construction at Collingwood is for Algoma



Central Railway and will be followed by another maximum-size self-unloader, for delivery to Canada Steamship Lines in 1973. In addition, an order has been received for the construction of two tugs. These vessels, to be delivered in 1972/73, will operate in the Lower St. Lawrence River.

A new, 33,000-sq. ft. fabricating shop is being constructed, with a 1/10 scale electronically-operated burning machine and a 1/10 scale lofting arrangement for greater efficiency in production.

Port Arthur Shipyard had a successful year and is currently working on a 170-ft. barge and the conversion of the CSL bulk vessel, M.V. Saguenay, to a self-unloader.



Davie Shipbuilding Limited is constructing three 80,000-ton, ocean-going oil tankers, the largest vessels ever to be built in Canada. They will be 748 feet in length, with a breadth of 127 feet and a depth of 57 feet. Following the launch of the first vessel in July, 1972, the keel will be laid for the third ship. The first vessel is scheduled for delivery in October, 1972; and the other two, in 1973. Also in progress: the outfitting of two helicopter-carrying destroyer escorts for the Canadian Government (the first of which, H.M.C.S. Athabaskan, will be delivered in 1972) and in addition, a large tug for Davieship, and two trawlers. In 1971, two single-screw, all-season ferries were delivered to the Quebec Government for the Quebec City-Lévis service. The General Engineering Division



had one of its most active years, highlighted by the fabrication of six sectors comprising the main magnet for the University of British Columbia's 500 M.E.V.H. Cyclotron — the largest ever constructed. This mammoth job involved 4,600 tons of steel, 3 to 12 inches thick. Other significant productions included control gates for the Churchill Falls power development, seven 125-ton steel ladles for a steel mill, and six 62-ton barking drums for an Eastern Canadian paper mill. The third extension to the steel handling facility resulted in greater efficiency in the burning, fabrication and sub-assembly operation. Extensive equipment improvements, included lengthening of the machine shop and installation of a large, horizontal-vertical milling and boring mill.



Air pressure
carries weight
with
Brocklesby-Sicotte

The Brocklesby and Sicotte companies completed a successful year with a marked improvement in construction activity, particularly in the Quebec area. These companies have been carrying out extensive research with regard to the application of the "air cushion" principle in moving large, heavy objects. A North American "first" was the movement by this method of a 6,250,000-gallon capacity, 500-ton oil storage tank in Quebec City. The tank — 150 feet in diameter and 50 feet high — was moved 3/4 of a mile. To date, it is the largest object moved anywhere in the world by this technique. Recent equipment additions include a 200-ton crane and a special, 300-ton capacity float.



This group experienced a year of consolidation. New terminals were added at Sherbrooke, Quebec, and Fort Frances, Ontario, and land was acquired at Ottawa and Quebec City where terminals are planned for 1972. The Kingsway system now includes 40 terminals and 1,800 pieces of equipment — travelling in excess of 30 million miles — haul over 1,000,000 tons of cargo each year. The Canadian route system stretches from Quebec City to Vancouver, with U.S. connections at Buffalo, Detroit and New York.

Kingsway
covers a lot
of ground



More people are travelling via Voyageur

The Voyageur system experienced an excellent year. The repainting of all buses in the company's blue, green and white colors was completed, and 30 new units were added to the fleet.

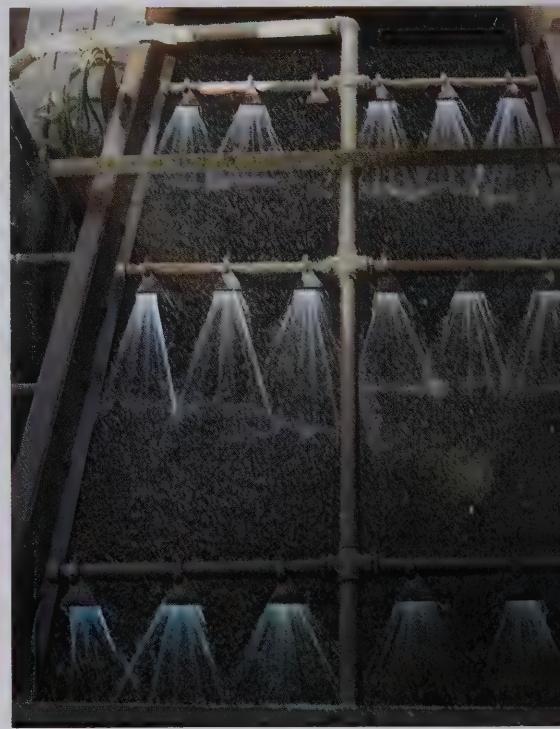
A ready customer response followed the inauguration of service, every hour on the hour, between Montreal and Quebec City, and Montreal and Ottawa.

A 110,000-sq. ft. parcel of land was acquired in Ottawa, next to the Queensway. It will be the site of a new terminal of greater capacity and efficiency, to be opened in late 1972.



The purchase of Morgan Storage and Moving Ltd. was effected in June, 1971. This company moves household goods across Canada and the United States, through its membership in the Allied Van Lines organization. Overseas shipments to most places in the world are also handled. The principal place of business is located in Montreal, where a warehouse of 100,000 sq. ft. is maintained for the storage of household and commercial goods. Full facilities also exist at the Toronto branch office and warehouse.

**Morgan Storage
and Moving
handles household
goods**



Stone for highways from P.C.Q.

Port Colborne Quarries experienced a record volume year, with total tonnage shipped in excess of 1.5 million. Local shipments were at a record level, reflecting the sizable demand created by the Welland Canal diversion and related road building. The new washing plant, shown above, has been of great assistance in maintaining a superior stone product necessary to meet the rigid specifications of many projects.



Canada Steamship Lines, Limited

To the Shareholders:

Net earnings for the first six months of 1971 were \$3,432,000, up \$988,000 (40%) from the comparable 1970 period.

After preference dividend, earnings were \$1.05 per common share (72¢ in 1970). Net gain on capital asset transactions, which is not included in earnings, amounted to \$89,000 (3¢ per common share) compared to \$258,000 (9¢ per share) in 1970.

Gross revenue at \$58,505,000 is up \$3,688,000 principally in the Land Transportation division.

The increase in earnings to date should not necessarily be considered as indicative of the proportionate increase expected for the entire year 1971 vs. 1970. Earnings of the Land Transportation division were up modestly with the increase in volume but rising costs continue to be a problem. An improvement in shipbuilding results reflected a high level of production compared to a relatively inactive first half in 1970. Water Transportation profit was down as a result of the later start to navigation brought about by severe April weather and ice conditions.

Negotiations of labor contracts with the Kingsway trucking employees in Ontario, the Provincial Transport Enterprises' bus personnel in Quebec, and the vessel engineers are currently in conciliation.

Working capital at \$26,817,000 is up \$581,000 from 1970 year-end. Capital expenditures at \$6,814,000 are up \$2,095,000. The present forecast of capital expenditures for the year 1971 is \$17,000,000 and includes progress payments on a self-unloading vessel for delivery in 1972, a new Ottawa terminal facility for the Voyageur Colonial subsidiary of Provincial Transport Enterprises, and new equipment and buildings for the Shipbuilding and Land Transportation divisions.

J. W. McGiffin
Chairman

Louis R. Desmarais
President

Aux actionnaires:

Les bénéfices nets, pour les premiers six mois de l'année 1971, ont été de \$3,432,000, soit une hausse de \$988,000 (40% pour cent) comparativement à la même période l'an dernier.

Compte tenu des dividendes des actions privilégiées, les bénéfices ont été de \$1.05 par action ordinaire (alors qu'ils étaient de \$0.72 en 1970). Le gain net sur les transactions d'immobilisations, qui n'apparaît pas au chapitre des bénéfices, se chiffre à \$89,000, ou \$0.03 par action ordinaire, comparativement à \$258,000, ou \$0.09 par action ordinaire, en 1970.

Les revenus bruts de \$58,505,000 accusent une augmentation de \$3,688,000 sur ceux de l'an dernier. Cette hausse est surtout attribuable au transport routier.

L'accroissement des bénéfices nets que l'on connaît jusqu'à ce jour ne doit pas être interprété comme un indice de l'augmentation proportionnelle prévue pour 1971. Les bénéfices de la division du transport routier ont augmenté légèrement à cause de l'accroissement du volume, mais la hausse des coûts continue de présenter des problèmes.

L'accroissement d'activité des chantiers maritimes signifie un haut niveau de production, comparativement au premier semestre de 1970. On se souvient que ceux-ci avaient été relativement inactifs à la même époque l'an dernier. La diminution des bénéfices, dans le transport maritime, s'explique par le retard connu dans le début de la navigation en avril 1971, à cause du mauvais temps et de la débâcle.

Les négociations des contrats de travail des employés de camionnage de Kingsway, en Ontario, du personnel d'autobus des Entreprises Transport Provincial, à Québec, et des ingénieurs maritimes, sont présentement l'objet de conciliations.

Le fonds de roulement de \$26,817,000 montre une augmentation de \$581,000 sur la fin de l'exercice 1970. Les dépenses en immobilisations, qui se chiffrent à \$6,814,000, ont connu une hausse de \$2,095,000. Les prévisions actuelles de dépenses en immobilisations, pour l'exercice 1971, sont de \$17,000,000 et tiennent compte des paiements intérimaires d'un navire à déchargement autonome, qui doit être livré en 1972; d'un nouveau terminus Voyageur Colonial, à Ottawa; de nouveaux édifices et de l'équipement neuf à l'intention du transport routier et des chantiers navals.

le président du conseil
J. W. McGiffin

le président
Louis R. Desmarais

Le 3 août 1971

Consolidated Statement of Earnings (Unaudited)

— THOUSANDS —
SIX MONTHS ENDED JUNE 30
1971 1970

Gross Revenue from Operations		\$58,505	\$54,817
Earnings from Operations		11,173	9,059
Income from Investments		712	359
		<u>11,885</u>	<u>9,418</u>
Interest on Long-Term Debt		547	524
Provision for Depreciation		5,064	5,046
		<u>5,611</u>	<u>5,570</u>
Net Earnings before Income Taxes		6,274	3,848
Income Taxes:			
Current		1,965	391
Deferred		877	1,013
		<u>2,842</u>	<u>1,404</u>
Net Earnings for Period		3,432	2,444
Preference Dividend		287	287
Earnings Applicable to Common Shares		<u>\$ 3,145</u>	<u>\$ 2,157</u>
Earnings per Common Share		\$ 1.05	\$ 0.72
Common Shares Outstanding at June 30		3,004	2,998
Net Gain on Capital Asset Transactions not included above		\$ 89	\$ 258

Consolidated Statement of Source and Application of Funds (Unaudited)

Source of Funds:

From Operations			
Net Earnings		\$ 3,432	\$ 2,444
Depreciation		5,064	5,046
Deferred Income Taxes		877	<u>1,013</u>
		<u>9,373</u>	<u>8,503</u>
Common Shares Issued for Cash		163	—
Special Refundable Taxes		—	174
Proceeds on Disposal of Fixed Assets		561	587
Issue of Long-Term Debt		1,400	1,500
Net Decrease in Mortgages and Secured Loans		424	412
Miscellaneous Items		113	25
		<u>12,034</u>	<u>11,201</u>

Application of Funds:

Additions to Fixed Assets		6,814	4,719
Repayment of Long-Term Debt		1,545	1,315
Cash Paid in Acquisition of Subsidiaries		404	800
Dividends		2,690	2,685
		<u>11,453</u>	<u>9,519</u>
Working Capital Increase		\$ 581	\$ 1,682

Etat consolidé des bénéfices (non vérifié)

— EN MILLIERS —
SIX MOIS ARRÊTÉS AU 30 JUIN
1971 1970

Revenus bruts d'exploitation	\$ 58,505	\$ 54,817
Bénéfices d'exploitation	11,173	9,059
Revenus de placements	712	359
		<u>11,885</u>
Intérêts sur la dette à long terme	547	524
Provisions pour amortissement	5,064	5,046
		<u>5,611</u>
Bénéfices nets avant impôts sur le revenu	6,274	3,848
Impôts sur le revenu:		
courants	1,965	391
reportés	877	1,013
		<u>2,842</u>
Bénéfices nets de la période	3,432	2,444
Dividende des actions privilégiées	287	287
Bénéfices applicables aux actions ordinaires	<u>\$ 3,145</u>	<u>\$ 2,157</u>
Bénéfices par action ordinaire	\$ 1,05	\$ 0,72
Actions ordinaires en circulation au 30 juin	3,004	2,998
Gain net sur les transactions d'immobilisations non inclus ci-haut	\$ 89	\$ 258

Etat consolidé de la provenance et de l'utilisation des fonds (non vérifié)

Provenance des Fonds:

De l'exploitation		
bénéfices nets	\$ 3,432	\$ 2,444
amortissement	5,064	5,046
impôts sur le revenu reportés	877	1,013
		<u>9,373</u>
Actions ordinaires émises au comptant	163	—
Impôt spécial remboursable		174
Produits de l'aliénation d'immobilisations	561	587
Emission de dette à long terme	1,400	1,500
Diminution nette des hypothèques et des emprunts garantis	424	412
Divers	113	25
		<u>12,034</u>
		<u>11,201</u>

Utilisation des Fonds:

Additions aux immobilisations	6,814	4,719
Remboursement de la dette à long terme	1,545	1,315
Paiement comptant à l'acquisition de filiales	404	800
Dividendes	2,690	2,685
		<u>11,453</u>
Augmentation du fonds de roulement	<u>\$ 581</u>	<u>\$ 1,682</u>

Canada Steamship Lines, Limited

AR80

Interim Report June 30, 1971

Rapport Intérimaire au 30 Juin 1971

Canada Steamship Lines, Limited

Interim Report June 30, 1971

Rapport Intérimaire au 30 Juin 1971



